

# OUTCOMES-BASED FUNDING FORMULA PRIMER

*Indiana Commission for Higher Education*

March 2022



INDIANA COMMISSION for  
HIGHER EDUCATION  
[www.che.IN.gov](http://www.che.IN.gov)

---

# WHAT IS THE COMMISSION'S ROLE?

## ► IC 21-18-9-1

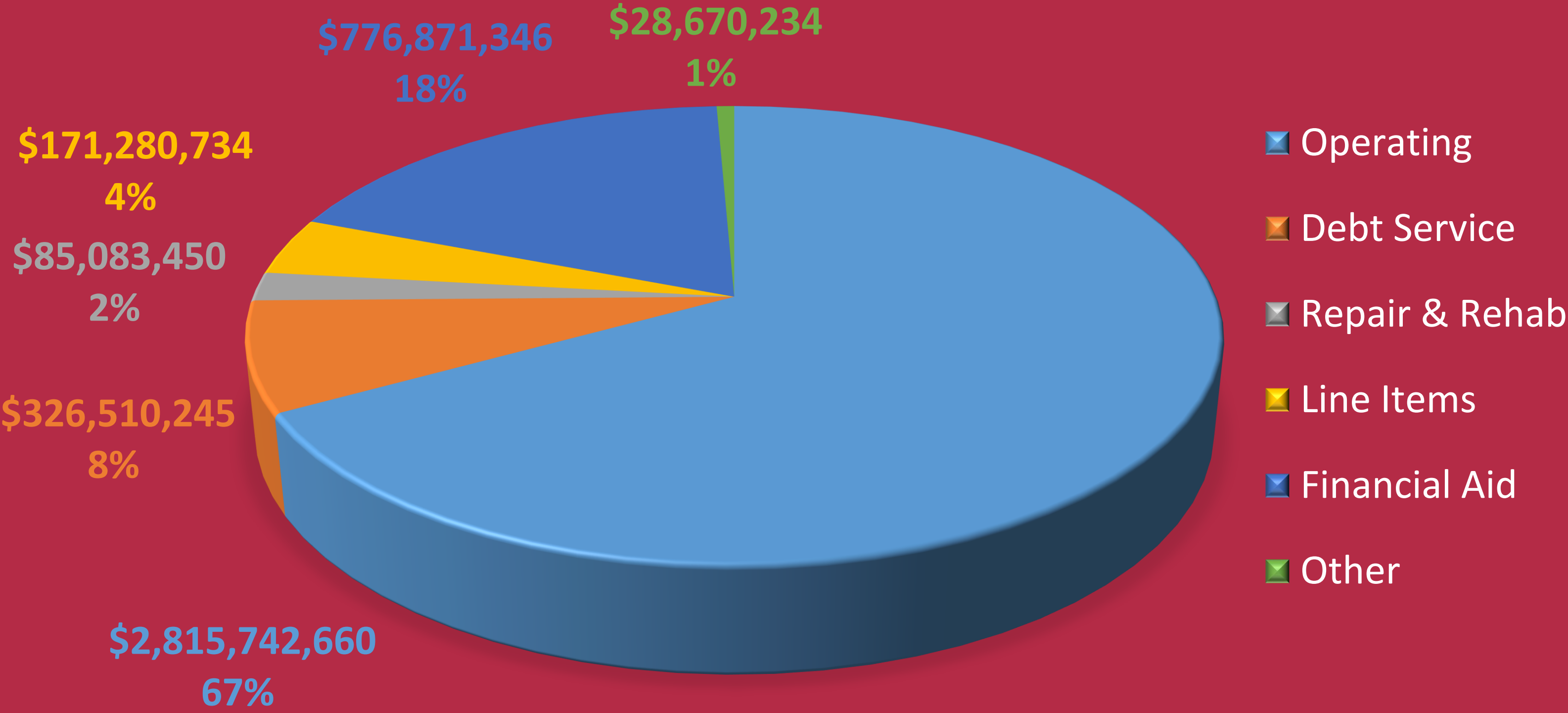
Sec. 1. The commission shall:

(1) review the legislative request budgets of all state educational institutions preceding each session of the general assembly; and

(2) make recommendations concerning appropriations and bonding authorizations to state educational institutions, including public funds for financial aid to students by any state agency.

# HIGHER ED FUNDING AT A GLANCE

TOTAL HIGHER EDUCATION BIENNIAL BUDGET FY2022 & 2023



---

# WHAT IS OUTCOMES-BASED FUNDING?

- ▶ Portion of state appropriated university operating funding
  - ▶ 7% or \$86M in FY 2023
- ▶ Measures and rewards improvement in key outcomes
  - ▶ Two three-year rolling averages are compared
  - ▶ Each biennia, oldest two years fall off and newest two years are added
- ▶ Comprised of both reallocation and new funding
  - ▶ 5% reallocation in FY 2023
  - ▶ 2% new in FY 2023

---

# CURRENT OUTCOMES METRICS

- ▶ Overall degree completion
- ▶ On-time degree completion
- ▶ At-risk degree completion (Pell/low-income)
- ▶ STEM degree completion
- ▶ Student persistence incentive



# FY 2023 FUNDING OUTCOMES

	Total Units	Per Unit Value	Total Unit Value	% of Total		Total Units	Per Unit Value	Total Unit Value	% of Total
<b>Overall Degree Completion Metric</b>					<b>Student Persistence Metric</b>				
18-29 Cr Cert	1082	\$ 1,539.00	\$1,665,198	1.93%	15 CH	86	\$ 205.00	\$17,630	0.02 %
1 Yr Cert	3477	\$ 2,052.00	\$7,134,804	8.28 %	30 CH (2 YR)	383	\$ 410.00	\$157,030	0.18 %
Associate	13	\$ 4,105.00	\$53,365	0.06 %	30 CH (4 YR)	180	\$ 410.00	\$73,800	0.09 %
Bachelor	685	\$ 8,209.00	\$5,623,165	6.53 %	45 CH	242	\$ 821.00	\$198,682	0.23 %
Master	288	\$ 4,105.00	\$1,182,240	1.37 %	60 CH	552	\$ 821.00	\$453,192	0.53 %
Doctoral	39	\$ 2,052.00	\$80,028	0.09 %	90 CH	761	\$ 1,642.00	\$1,249,562	1.45 %
			<b>\$15,738,800</b>	<b>18.27 %</b>				<b>\$2,149,896</b>	<b>2.50 %</b>
<b>At-Risk Degree Completion Metric</b>					<b>On-Time Graduation Rate Metric</b>				
18-29 Cr Cert	143	\$ 1,924.00	\$275,132	0.32 %	2 Year	363	\$ 10,262.00	\$3,725,106	4.32 %
1 Yr Cert	1137	\$ 2,565.00	\$2,916,405	3.38 %	4 Year	1997	\$ 20,524.00	\$40,986,428	47.57 %
Associate	209	\$ 5,131.00	\$1,072,379	1.24 %				<b>\$44,711,534</b>	<b>51.89 %</b>
Bachelor	894	\$ 10,262.00	\$9,174,228	10.65 %	<b>TOTAL</b>		<b>\$86,158,829</b>		
			<b>\$13,438,144</b>	<b>15.60 %</b>					
<b>STEM Degree Completion Metric</b>									
18-29 Cr Cert	321	\$ 1,539.00	\$494,019	0.57 %					
1 Yr Cert	725	\$ 2,052.00	\$1,487,700	1.73 %					
Associate	61	\$ 4,105.00	\$250,405	0.29 %					
Non-Research Institution Bachelor	115	\$ 8,209.00	\$944,035	1.10 %					
Non-Research Institution Master	5	\$ 4,105.00	\$20,525	0.02 %					
Non-Research Institution Doctoral	1	\$ 2,052.00	\$2,052	0.00 %					
Research Institution Bachelor	319	\$ 20,524.00	\$6,547,156	7.60 %					
Research Institution Master	34	\$ 10,262.00	\$348,908	0.40 %					
Research Institution Doctoral	5	\$ 5,131.00	\$25,655	0.03 %					
		<b>\$ 57,979.00</b>	<b>\$10,120,455</b>	<b>11.75 %</b>					



# HISTORY

2003	2005	2007	2009	2011	2013	2015	2017	2019	2021
Enrollment Change (credit hours enrolled)	Enrollment Change (credit hours enrolled)	Enrollment Change (credit hours enrolled)	Enrollment Change (successfully completed credit hours)	Enrollment Change (successfully completed credit hours)					
Inflation Adjustments	Inflation Adjustments	Inflation Adjustments		Enrollment Change Dual Credit (successfully completed credit hours )					
					Student Persistence Incentive	Student Persistence Incentive	Student Persistence Incentive	Student Persistence Incentive	Student Persistence Incentive
					Remediation Success Incentive	Remediation Success Incentive	Remediation Success Incentive		
Equity Adjustment	Equity Adjustment	Equity Adjustment							
Plant Expansion/Leases									
Research Support Incentive	Research Support Incentive	Research Support Incentive	Research Support Incentive	Research Support Incentive					
		Change in Number of Degrees	Change in Number of Degrees	Change in Number of Degrees	Change in Number of Degrees/Certificates	Change in Number of Degrees/Certificates	Change in Number of Degrees/Certificates	Change in Number of Degrees/Certificates	Change in Number of Degrees/Certificates with added overall degree completion bonus
			Low-Income Degree Completion	Low-Income Degree Completion	At-Risk Student Degree Completion	At-Risk Student Degree Completion	At-Risk Student Degree Completion	At-Risk Student Degree Completion	At-Risk Student Degree Completion
					High-Impact Degree Completion	High-Impact Degree Completion	High-Impact Degree Completion	STEM (Science, Technology, Engineering, Math) Degree Completion	STEM (Science, Technology, Engineering, Math) Degree Completion
		Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate	Change in On-Time Graduation Rate
					Institution Defined Productivity Metric	Institution Defined Productivity Metric			
		Two-Year Transfer Incentive	Two-Year Transfer Incentive						
			Workforce Development Incentive (funding non-credit coursework)						

---

# RECENT HISTORY

- ▶ HB 1001 (2021)
- ▶ 2021 Summer Study
- ▶ Senate Enrolled Act 366 (2022)





---

# LEGISLATIVE SUMMER STUDY

- ▶ Higher Educational Operating Funding Working Group
- ▶ Proposals:
  - ▶ Codify various current practices: strategic plan, development of funding formula university budget review
  - ▶ Explore the following: mission differentiation, comparing more recent data, measure universities against themselves
  - ▶ Measure and report university progress toward meeting the goals of strategic plan
  - ▶ Require regular audits of university submitted data

# LEGISLATIVE SUMMMER STUDY - CONTINUED

- ▶ CHE presented before the working group on August 17<sup>th</sup>
  - ▶ Reviewed:
    - ▶ funding development timeline
    - ▶ Evolution of formula
    - ▶ Impact of outcomes-based funding on student success

			10-Year Change
Overall Degree Completion		All Degrees and Certificates	55%
On-Time Degree Completion	On-Time Number of Completers	Associate	180%
		Bachelor's	96%
		Total	101%
	On-Time Graduation Rate	Associate	11%
		Bachelor's	19%
At-Risk Degree Completion		All Degrees and Certificates	137%
STEM Degree Completion		All Degrees and Certificates	89%
Student Persistence Incentive	2-Year Institutions	Completed 15 CH	0%
		Completed 30 CH	6%
		Completed 45 CH	3%
	4-Year Institutions	Completed 30 CH	2%
		Completed 60 CH	13%
		Completed 90 CH	13%



---

# SENATE ENROLLED ACT 366

- ▶ Author: Senators Eric Bassler and Jon Ford
- ▶ Passed House: 92-0
- ▶ Passed Senate: 46-0
- ▶ Codifies many current practices: strategic plan, development of outcomes-based funding formula, university budget review, Budget Committee review of final CHE recommended budget)
- ▶ Requires an additional Budget Committee review of the funding formula, metrics, and methodologies
- ▶ Requires a new audit of OBF data submitted by universities



WHAT'S NEXT?

# 2023-2025

## OUTCOMES-BASED FUNDING DEVELOPMENT TIMELINE

- **November** – Data collection opens in CHEDSS
- **March** – CHE staff finalizes CHEDSS data
- **March** – Institutions begin confirmation of Student-Level OBF data
- **May** – BPC review of per-unit values for OBF

NOV 2021 – MAY 2022

- **June** – Commission vote on per-unit values
- **June** – Institutions finalize OBF data
- **July** - Evaluate outcomes on metrics against per-unit amounts/determine recommendations for line items, capital, R&R
- **July** – BPC review of overall performance funding percent

JUNE - JULY 2022

- **August-October:** CHE presents per-unit values to State Budget Committee (**SB 366**)
- **September & October** - Institutions Present Budget Request Commission
- **November** – Commission vote on budget recommendations

AUG - NOV 2022

- **December** – CHE presents budget recommendations to State Budget Committee
- **January** - CHE presents budget recommendations to House Ways & Means
- **February/March** – CHE presents budget recommendations to Senate Appropriations

DEC 2022 – March 2023

- **CHE** works with the General Assembly and State Budget Agency to finalize higher education budget within the 2023 Budget Bill.

JAN - MAY 2023





INDIANA COMMISSION *for*  
HIGHER EDUCATION